

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/07
 LAST UPDATED 3/13/07 HB _____

SPONSOR Taylor, J.G.

SHORT TITLE NMFA Water Project Fund Grants SB 100/aHAFC

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		Water Project Fund (See Fiscal Narrative)

(Parenthesis () Indicate Expenditure Decreases)

Relates to executive capital outlay proposal.

SOURCES OF INFORMATION

LFC Files
 New Mexico Finance Authority (NMFA)
 New Mexico Agriculture Department (NMSU)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to Senate Bill 100, as amended, authorizes the New Mexico Finance Authority to make loans or grants from the water project fund to the City of Rio Rancho in Sandoval County and to Bernalillo County for a water conveyance project.

Synopsis of Original Bill

Senate Bill 100 authorizes the New Mexico Finance Authority to make loans or grants from the water project fund to 30 political subdivisions for qualifying projects on terms and conditions established by the Water Trust Board and the New Mexico Finance Authority.

FISCAL IMPLICATIONS

Laws 2003 (Chapter 134) requires the Board of Finance to authorize and issue bonds for 10 percent of the severance tax bonding capacity each year for deposit in the water project fund. The 10 percent set-aside of severance tax bond capacity for FY07-08 will provide approximately

\$32.7 million to the water project fund for eligible water projects. Money from the severance tax bonds may not be used to pay indirect project costs, and any unexpended balance from proceeds of severance tax bonds issued for a water project shall revert to the severance tax bonding fund within six months of completion of the water project. NMFA is responsible for monitoring and ensuring proper reversions. The value of the 10 percent of severance tax bond capacity can change from year to year depending on oil and gas revenues.

Laws 2006, Chapter 109, provided for the transfer of \$40 million from the general fund at the beginning of fiscal year 2007 to the water trust fund created by the Water Finance Act.

According to the constitutional provision creating the water trust fund approved in November 2006, and in accordance with state law, on July 1, 2008 and each fiscal year thereafter, an annual distribution shall be made from the water trust fund pursuant to state law, and that distribution shall then be appropriated by the legislature only for water projects consistent with a state water plan and as otherwise provided by law to support critically needed projects that preserve and protect New Mexico's water supply.

Section 72-4A-8 of the Water Finance Act provides that on July 1 of each fiscal year, annual distribution will be made from the water trust fund to the water project fund in the amount of \$4 million until the amount is less than an amount equal to 4.7 percent of the average of the year-end market values of the water trust fund for the immediate preceding five calendar years.

SIGNIFICANT ISSUES

The water project fund and water trust board were created by the Water Finance Act. According to the Act, once authorized by the Legislature, the Water Trust Board reviews all projects and determines qualifying entities and projects for consideration of loans or grants from the water project fund.,

According to NMFA, the Water Trust Board received 94 letters of interest requesting a total of approximately \$175.5 million for funding from the 2007 annual distribution to the water project fund. The total amount requested for the 30 projects contain in this bill is \$58.8 million.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The executive is proposing increasing the 10 percent allocation from severance tax bond capacity to the water project fund from 10 percent to 15 percent. The increase would generate approximately \$16.3 million more for the water project fund.

LMK/mt